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# Five East Valley men accused of fraud

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A federal grand jury in Phoenix on Friday returned a 33-count indictment against nine men, including four from Scottsdale and one from Cave Creek, on charges of operating what law enforcement authorities called a wide-ranging mail fraud and money-laundering scheme that took in $40 million and defrauded more than 300 people. Describing it as a "very sophisticated and convincing" investment scheme, well-educated business people who operated medical outpatient rehabilitation facilities and other investors across the United States were defrauded, FBI Special Agent in Charge John Lewis said Friday.

The indictment claims that from May 2001 to June 2003 the men solicited investors to buy into medical outpatient companies, whose startup times, profits and customer numbers were grossly misrepresented. Many of the facilities never opened.

Under the scheme, prospective licensees of the facilities paid between $100,000 and $165,000 to enter into contracts with the defendants' company, called CORF Licensing Services.

"This is a very large amount of money to be lost in a business scheme like this, even in the medical industry," said Julie Haferty, special agent with the FBI. "It's a much more sophisticated plan than just a 'work from your home, and make a lot of money.' "

Listed as defendants in the indictment are: David Goldfarb, 58, Richard Ross, 67, Paul Woodcock, 60, and Colin McHale, 40, all of Scottsdale. Milton Guenther, 51, of Phoenix, James Bonebrake, 59, of Cave Creek, Mike Ibler, 54, of Sweethome, Ore., and Raymond Marshall, 57, and Brian Ongaro, 48, both of Frisco, Texas, also were indicted.

Goldfarb and Woodcock were arrested Friday morning at their homes in Scottsdale on suspicion of mail fraud, conspiracy, money laundering and aiding and abetting, according to Patricia Armstrong, spokeswoman for the U.S. Postal Inspector's Office in Phoenix. All of the other men accused of being connected to the scheme received a summons to appear in U.S. District Court next week, she said.

Goldfarb could not be reached for comment, and the telephone number for Woodcock had been disconnected.

Many of the victims lived out of state, and a few lived in Arizona, according to Haferty. The residences of the Arizona victims were unavailable Friday.

Many of the people lost their savings in the scheme attempting to open an outpatient rehabilitation facility, Lewis said.

The investors were told that it would take six months to become certified and open an outpatient rehabilitation facility with all the medical regulations in place. In reality, it takes a year or longer, Lewis said.

"The investors were also told that they would generate net profits $350,000 or more in the first couple of years and in the excess of $1 million later on," Lewis said.

Most of the defendants also operated outpatient rehabilitation centers in other states, and when they began to struggle, they sought out investors to open more centers, according to the indictment.

"When the men were arrested or notified of this, they were irate," said Steve Laramore, assistant U.S. attorney in Phoenix, who is prosecuting the case.

The defendants, most of whom were founders in CORF Licensing Services, owned rehabilitation centers that already were struggling. And when their licensees started seeing a downturn in their businesses, the defendants began communicating on their Web site that the industry and profits were slowing down, Laramore said.

CORF Licensing Services contracted with more than 300 licensees to establish the outpatient facilities that mainly provided pulmonary respiratory therapy and physical therapy services. The defendants marketed the concept through newspaper and business magazine ads, a Web site and seminars, according to information from the U.S. Attorney's Office.

Of the $40 million investors were alleged to have been defrauded of, Goldfarb received about $3.5 million, Ross received about $2 million and Woodcock, $4 million, according to the indictment. Bonebrake was paid about $500,000 and McHale received $300,000 for promoting the businesses to prospective investors, the report showed.

Acting on a tip from an insider, the investigation, which was a joint effort among the FBI, the U.S. Attorney's Office, the criminal division of the Internal Revenue Service and the Postal Inspection Office, began in January 2003, Lewis said.

If convicted, money laundering carries a maximum 20-year prison sentence and a $500,000 fine, and mail fraud carries a maximum 20-year sentence and a $250,000 fine, according to information from the U.S. Attorney's Office.

There were no seizure warrants issued in the investigation or assets frozen, but funds will be subject to forfeiture upon conviction, Haferty said. Restitution to victims would be determined later.

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